

2003

AR80

PACIFIC INSIGHT ELECTRONICS CORP.

Annual Report



OEM Module Division
Wire & Cable Division
Instrumentation Division
Aftermarket Division



FINANCIAL HIGHLIGHTS

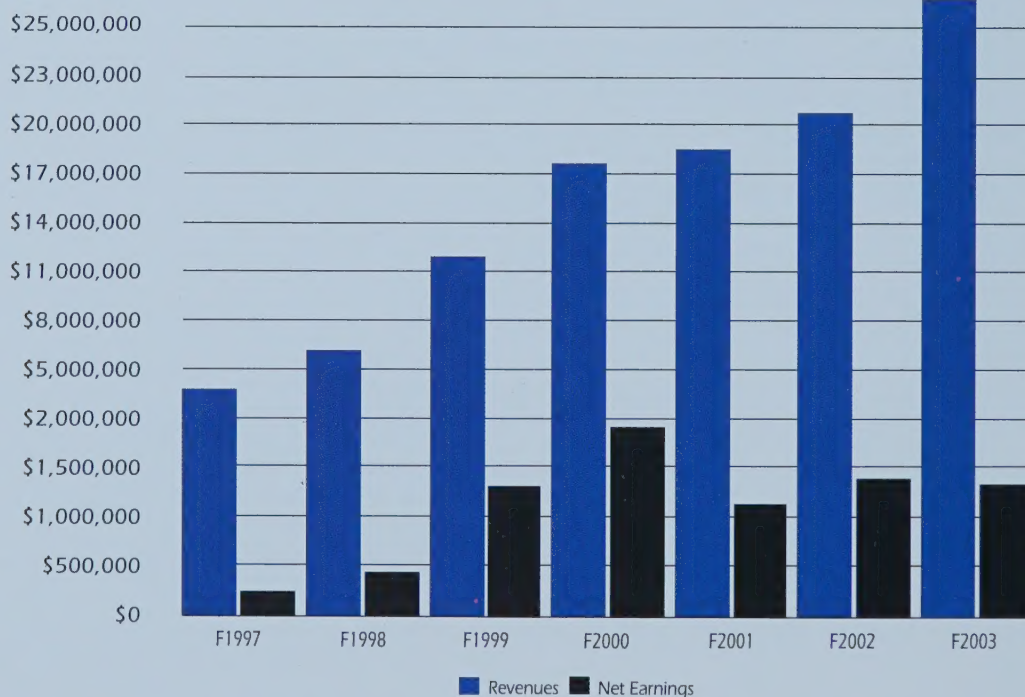
FOR THE YEARS ENDED JUNE 30

	2003	2002	2001	2000
Revenues	\$ 25,511,803	20,412,276	18,334,723	17,736,630
Earnings before income taxes	\$ 1,928,642	2,199,896	1,871,320	2,986,335
Income taxes expense	\$ 693,057	796,299	728,207	1,067,122
Net earnings	\$ 1,235,585	1,403,597	1,143,113	1,919,213
Net earnings per share - basic	\$ 0.15	0.17	0.15	0.28

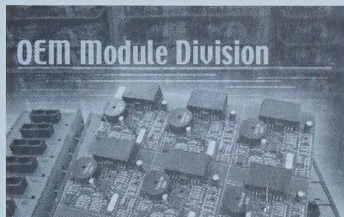
As At JUNE 30

	2003	2002	2001	2000
Total assets	\$ 16,420,206	16,085,213	14,200,352	12,756,126
Shareholders' equity	\$ 14,187,627	13,703,196	12,129,307	9,772,638
Additions to capital assets	\$ 487,176	654,491	4,079,276	1,544,477
Number of common shares	8,213,268	8,429,568	8,314,168	7,076,268

Revenue and Earnings History



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MESSAGE TO SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to announce another successful and profitable year for Pacific Insight Electronics Corp. (the "Company") and its shareholders.

Canadian Manufactures have been affected by the strengthening Canadian dollar and our Company is no exception. Despite the strengthening Canadian Dollar, sales grew by over 25% to \$25.5 million, up from \$20.4 million in 2002. We maintained our debt free balance sheet and continued to strengthen the Company's working capital position. Our people are concentrating their efforts on launching new programs, finding innovative ways of reducing manufacturing costs and improving product quality. The investments in productive capital assets and product development continue to enhance the Company's momentum in building a better business.

The Company's balance sheet remains strong given the continuing profitability of its operations. In the fourth quarter, fluctuations in the dollar had the effect of reducing Canadian dollar proceeds of sales denominated in US dollars, which eroded some profitability. Management has a policy of increased hedging of US currency to minimize the affects of such fluctuations in the future.

The Company (PIH.T) graduated to the Toronto Stock Exchange (TSX) and the shares were listed for trading in March 2003. The graduation from the TSX Venture Exchange is another milestone in the Company's history. The new listing will allow the Company access to larger capital markets and is strategic for the long-term benefits of all shareholders.

The Company is diversified into three industry sectors: Automotive, Heavy Truck and Marine. Within these three sectors, four divisions were established to manage and expand the business. The four divisions are Original Equipment (OE), After-market Products, Wire and Cable, and Instrumentation Products.

The **OE Division** includes products such as Automotive Modules, Truck Control Modules, and LED Marker Lights. The OE Division representing 48% of total revenue was the most affected by the fluctuation in foreign currency due to the high U.S. sales content. Several new products were announced in 2003 including the new Ford Motor Company Heated Seat Module and a product for Ford's new Hybrid Electrical Vehicle. Following the year ended June 30, 2003, the Company has seen some improvement in the heavy truck sector, which had affected sales for many of our key products.

The **Aftermarket Products Division** had a year-to-year increase in sales of over 35% and contributed about 21% of gross revenue which is up from 20% in fiscal 2002. This category includes vehicle security systems, marine products, and electronic flashers. In fiscal 2003 several US distributors successfully penetrated the Japanese dominated Asian market with our private branded AC Delco security product. This product was well received and will be distributed throughout the Asian market. We look forward to more events like this to diversify our customer base and increase profitable sales.

MESSAGE TO SHAREHOLDERS CON'T

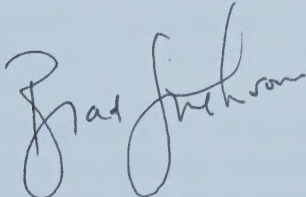
In 2003, 20% of the Company's revenue was generated in the **Wire and Cable Division** and year over year sales grew by over 38%. The Company continues to expand in the marine, refuse, highway trailer, heavy equipment, and agricultural trailer markets. The Company's high quality wire and cable products are ideally suited for harsh operating environment applications. We continue to foster relationships with existing and new customers and we are confident that our excellent products will earn us a much greater share of the North American wire and cable business.

We are very pleased with the growth in the **Instrumentation Division**, which had the largest percentage increase year over year in sales and represented 11% of revenue for fiscal 2003, up from 5% in 2002. The Instrumentation Division continues to be a major growth opportunity for the Company. This Division concentrates on the marine, bus, and heavy truck markets. These markets are currently making the shift from old analog air-core gauges toward the Company's stepper motor/data-bus technology. In November, the Company signed an exclusive supply and product development agreement with Alcoa Fujikura, which will enable us to capture more electrical vehicle content in the Heavy Truck and Bus Markets.

Management continues to invest a substantial amount of business profits into product research and development. We invested over 5% of our gross sales, \$1.3 million in fiscal 2003 in this area. The expanded funding will allow the Company to compete for larger projects with the automakers and begin design on several new products planned for 2004 and 2005 launch. We continue to emphasize the efficient design of new and superior products to maintain competitiveness in the market place.

The Company's reputation for quality and service is well regarded and our products and services are competitive in our respective industries. We start the next fiscal year with working capital in excess of \$7.9 million, a solid production order book, growing sales, and new product launches scheduled throughout the year. Fiscal 2003 is the 11th consecutive year the Company has profitably increased revenues and we are confident that our strategic future focused investments in product research and development, infrastructure, and most importantly, our people, will enable this trend to continue.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "Brad Smithson", written in a cursive style.

Brad Smithson
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information should be read in conjunction with the financial statements and related notes included therein, which are prepared in accordance with generally accepted accounting principles in Canada ('GAAP'). The annual report contains discussion and analysis, which includes forward-looking statements that may differ materially from actual results achieved.

Overview

Pacific Insight Electronics Corp. (the Company) is engaged in the design and manufacture of advanced vehicle technologies for the automotive, heavy truck and marine industries. Within these three sectors, four divisions were established to effectively manage the business. The four divisions are Original Equipment (OE), After-market Products, Wire and Cable, and Instrumentation Products.

Fiscal 2003 marked another successful year for the Company. Overall corporate sales increased 25% to \$ 25.51 million (2002 - \$ 20.41 million) despite foreign currency fluctuations. Ignoring foreign exchange adjustments in revenue, the Company would have recorded a 27% increase in sales or \$25.94 million for fiscal 2003. In the four business divisions, unit sales were up over last year with the exception of two product lines in the OE division, belt-minders and daytime running lights. Unit sales declined in the belt-minder and daytime running light products due to the maturity in their respective product life cycles.

The **OE Division** saw sales increases over last year of 6% to \$12.31 million (2002 - \$ 11.60 million). The modest increase in sales is attributed to the life cycle of several products coming to an end; however, there are new products in the late development stage that should offset the ending product life cycles. This exemplifies the reasons why management's focus has been placed on the continual research and development of new products and technology. Our investment in LED technology is paying off and we believe our line of LED products will continue to grow at a significant rate and make an increasing contribution to earnings.

The **Aftermarket Division** achieved a sales increase over last year of almost 33% to \$5.48 million (2002 - \$4.13 million). There were sales increases in all of the product lines in this division. Our private branded AC Delco Vehicle Security product was well received in the Asian market and we expect the trend to continue. The sales of Vehicle Security Systems manufactured for the North American market remain sound and will continue to add to the After-market revenue stream.

The **Wire and Cable Division** saw an increase in sales over last year of over 36 % to \$ 5.05 million (2002 - \$3.72 million). In this division, the Company is concentrating on developing relationships with marine and heavy truck customers. The majority of the sales increase can be attributed to the new and expanding heavy truck customers as marine sales remained consistent. Subsequent to the year-end, Management has committed a further \$200,000 in automation and logistic equipment to this division.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONT

The **Instrumentation Division** had the most dramatic sales increase over last year of over 179 % to \$2.67 million (2002 - \$ 956,000). The increased volume is due to the improving heavy truck industry and additional customers. Management is focused on developing further customer contacts and nurturing relationships with existing customers.

As with most Canadian Manufacturers, the Company was adversely impacted by the strengthening Canadian dollar. The proceeds of sales denominated in US dollars declined by \$ 425,000 as the exchange value of the US dollar dropped in the fourth quarter. We have revalued our US denominated current assets and liabilities to reflect the change in the US dollar exchange rate. As we have more US dollar denominated assets than liabilities, we incurred revaluation losses of approximately \$ 252,000. The Company has entered into forward exchange contracts to exchange US Dollars for Canadian Dollars and the Company will continue this practice in the future.

Operating Results

For the year ended June 30, 2003, the Company recorded net income of \$ 1.24 million or \$0.15 per common share compared to net income of \$ 1.40 million or \$0.17 per common share in fiscal 2002. Management has determined that the fluctuations in foreign exchange represented a decline of \$ 425,000 in net income or \$0.05 earnings per common share.

Earnings before interest, taxes and amortization ('EBITDA') were \$2.35 million versus \$2.62 million for the previous year.

Cost of sales increased in fiscal 2003 to \$19.29 million from \$14.42 million in 2002. The variance can be attributed to increased revenue and the affects of foreign exchange and product mix. Gross profit percentages were 24% versus 29% in fiscal 2002. More than 2% of this 5% change was directly attributable to the strengthening Canadian dollar at year end. The balance of the variance was a result of the change in product mix as compared to fiscal 2002. Management is planning to realize future cost savings through automation, design, efficiency process and purchasing strategies.

Selling, general and administrative ('SG&A') expenses increased to \$3.88 million compared to \$3.37 million in fiscal 2002 and have decreased as a percentage of revenue from 16.50% in 2002 to 15.2%. Higher insurance premiums eroded management's continued success in reducing SG&A expenses and the future trend for insurance premiums is not favorable due to the world's current events.

Income Tax for fiscal 2003 totaled \$693,000 as compared to \$796,000 in fiscal 2002. The effective income tax rate for fiscal year 2003 was 35.9% compared to 36.2% for fiscal 2002. The decrease in the effective tax rate was a result of a decrease in the combined federal and provincial income tax rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS CON'T

Financial Condition and Liquidity

Cash and cash equivalents were \$1.52 million at June 30, 2003 and working capital was \$7.96 million compared with \$2.27 million and \$7.55 million respectively at the beginning of the year. The Company did not draw on its available line of credit facility in fiscal 2003 and there was no long-term debt outstanding during the year.

Capital asset expenditures during the year were \$487,176, the majority of which was for production tooling and manufacturing equipment. Targeted investments in manufacturing equipment continue to be made to improve future operating efficiencies. Deferred development expenditures of \$355,933 were incurred in the year related to specific projects.

Share Capital decreased during the year due to the company proceeding with the Normal Course Issuer Bid ('NCIB') process that had started last year. In 2003 the Company repurchased 259,500 common shares for a total consideration of \$ 817,684.

Subsequent Events There are no subsequent events that management is aware of that will negatively impact the Company. The strengthening of the US dollar that has occurred since June 30, 2003 will have a positive impact on operations, although management intends to continue with hedging against currency fluctuations in the coming year.

Outlook

Pacific Insight is positioned to continue developing saleable products to meet targeted business opportunities for the automotive, heavy truck and marine industries.

Management will be focused on developing solid customer relationships, improving efficiencies and quality systems, managing assets, and investing in technology and our people. We will be focused on increasing sales and corporate profits.

For further information, please visit our web site at www.pacificinsight.com. For Corporate Relations please contact our toll free line: 1-800-995-1155 or email: sross@pacificinsight.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

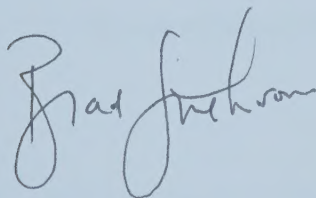
The financial statements and other financial information in these financial statements were prepared by the management of Pacific Insight Electronics Corp., reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the financial statements and believes that they present fairly the Company's financial condition and results of operations in conformity with Canadian generally accepted accounting principles. Management has included in the Company's financial statements amounts based on estimates and judgments that it believes are reasonable under the circumstances.

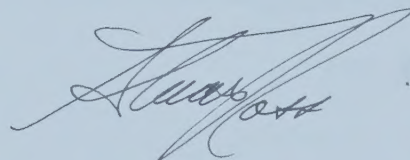
Systems of internal accounting and administrative controls are maintained by management in order to provide reasonable assurance that financial information is relevant, reliable and accurate and that transactions are authorized, assets are safeguarded and proper records are maintained. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting and internal control responsibilities and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

Pacific Insight Electronics Corp.'s external auditors have conducted an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. The external auditors have full and free access to the Board of Directors. Their report outlines the scope of their examination and their opinion.



Bradley D. Smithson
President



Stuart D. Ross
Chief Financial Officer

AUDITORS' REPORT

DAVIDSON & COMPANY — Chartered Accountants — A Partnership of Incorporated Professionals

To the Shareholders of
Pacific Insight Electronics Corp.

We have audited the balance sheets of Pacific Insight Electronics Corp. as at June 30, 2003 and 2002 and the statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

Davidson & Company

Vancouver, Canada

Chartered Accountants

July 30, 2003

A Member of **SC INTERNATIONAL**

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

BALANCE SHEETS

As at June 30

2003

2002

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,516,847	\$ 2,268,777
Accounts receivable	3,888,736	3,679,550
Inventories [note 2]	3,824,908	3,366,152
Prepaid expenses and deposits	86,371	22,539
Income taxes receivable	126,158	—
	9,443,020	9,337,018
Capital assets [note 3]	6,451,229	6,443,280
Product development costs	525,957	304,915
	\$ 16,420,206	\$ 16,085,213

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Accounts payable and accrued liabilities	\$ 1,480,579	\$ 1,784,074
Future income taxes [note 4]	752,000	597,943
	2,232,579	2,382,017

Contingencies [note 7]

Shareholders' equity

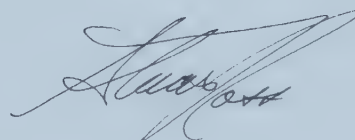
Share capital [note 5]	7,965,168	8,206,456
Retained earnings	6,222,459	5,496,740
	14,187,627	13,703,196
	\$ 16,420,206	\$ 16,085,213

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board of Directors:



J. Cowan McKinney
Chairman of the Board



Stuart D. Ross
Director

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Years ended June 30

2003

2002

Revenue	\$ 25,511,803	\$ 20,412,276
Cost of sales	19,289,380	14,419,266
Gross profit	6,222,423	5,993,010
Expenses		
Amortization	479,227	471,888
Selling, general and administrative	3,876,914	3,369,738
	4,356,141	3,841,626
Operating earnings	1,866,282	2,151,384
Other income	62,360	48,512
Earnings before income taxes	1,928,642	2,199,896
Income tax expense [note 4]	693,057	796,299
Net earnings	1,235,585	1,403,597
Retained earnings, beginning of year	5,496,740	4,093,143
Repurchased of common shares in excess of assigned value [note 5]	(509,866)	—
Retained earnings, end of year	\$ 6,222,459	\$ 5,496,740
Net earnings per share		
Basic	\$ 0.15	\$ 0.17
Diluted	\$ 0.14	\$ 0.16
Weighted average number of shares		
Basic	8,372,638	8,387,749
Diluted	8,657,562	8,736,857

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

Years ended June 30

2003

2002

OPERATING ACTIVITIES

Net earnings	\$ 1,235,585	\$ 1,403,597
Items not involving cash		
Amortization	479,227	471,888
Amortization of product development costs	134,951	19,337
Future income taxes	154,057	269,756
	2,003,820	2,164,578
Net changes in non-cash working capital balances related to operations [note 6]	(1,161,427)	322,534
Cash flows provided by operating activities	842,393	2,487,112

FINANCING ACTIVITIES

Issuance of share capital	66,530	170,292
Repurchased of share capital	(817,684)	—
Repayment of long-term debt	—	(431,280)
Cash flows used in financing activities	(751,154)	(260,988)

INVESTING ACTIVITIES

Capital asset additions	(487,176)	(654,491)
Deferred development cost additions	(355,993)	(324,252)
Cash flows used in investing activities	(843,169)	(978,743)
Increase (decrease) in cash and cash equivalents	(751,930)	1,247,381
Cash and cash equivalents, beginning of year	2,268,777	1,021,396
Cash and cash equivalents, end of year	\$ 1,516,847	\$ 2,268,777

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES

- a) **Description of business** – Pacific Insight Electronics Corp. ("the Company") is engaged in the design and manufacture of advanced vehicle technologies for the automotive, heavy truck and marine industries.
- b) **Use of estimates** - The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenues and expenses. Actual results could differ from these estimates.
- c) **Cash and cash equivalents** – Cash and cash equivalents consists of cash and highly liquid investments.
- d) **Inventories** – Finished products are valued at the lower of average cost and net realizable value. Other inventories are valued at the lower of average cost and replacement cost which is not in excess of net realizable value.
- e) **Capital assets** – Capital assets are recorded at cost. Depreciation is provided over the assets' estimated useful lives on a straight-line basis at the following annual rates:

Building	2.5% - 3.3%
Equipment	6% - 20%

- f) **Research and development** – Product development costs relating to products that the Company believes are technically feasible and for which a clearly defined market exists are capitalized. Such costs are amortized over periods not exceeding the estimated revenue-generating life of the product. If costs are later determined to be unrecoverable or the product is no longer considered commercially viable, all unamortized costs are immediately charged to earnings. Research costs are expensed as incurred.
- g) **Foreign exchange translation** – The Company's foreign currency transactions are translated into Canadian dollar equivalents at the rates in effect at the date of the transaction. At the balance sheet date, monetary assets and liabilities are translated at the rates in effect on that date. Exchange gains and losses are reflected in earnings as they occur.
- h) **Income taxes** – Income taxes are provided for using the liability method of tax accounting. Under the liability method, future income tax assets and liabilities are determined based on temporary differences (differences between the accounting basis and tax basis of the assets and liabilities) and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse.
- i) **Comparative figures** - Certain of the comparative figures for the prior years have been reclassified to conform to the presentation adopted in the current year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

1. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- j) **Stock-based compensation** – The Company has a Stock Option Plan, which is described in Note 5. Effective July 1, 2002, the Company adopted the new CICA Handbook Section 3870 “Stock-Based Compensation and Other Stock-Based Payments”, which recommends fair value-based methodology be used for measuring compensation costs. The new section also permits, and the Company has adopted, the use of the intrinsic value-based method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, but requires pro-forma disclosure of earnings and earnings per share as if the fair value method had been adopted. Any consideration paid by the option holder to purchase shares is credited to share capital. There is no material effect on the financial statements for the years presented.
- k) **Segmented information** – The Company conducts substantially all of its operations in North America in advanced vehicle technologies.
- l) **Earnings per share** – Basic earnings per share is calculated based on net earnings divided by the weighted average number of shares outstanding during the year. Diluted earnings per share are computed using the treasury stock method, giving effect to the exercise of all dilutive elements. Under this method, deemed proceeds of the exercise of options and warrants are considered to be used to re-acquire common shares at an average share price.

2. INVENTORIES

	2003	2002
Raw materials and work in process	\$ 3,068,965	\$ 2,916,714
Finished products	755,943	449,438
	\$ 3,824,908	\$ 3,366,152

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value
2003			
Land	\$ 440,831	\$ —	\$ 440,831
Building	3,711,776	199,170	3,512,606
Equipment	4,401,244	1,903,452	2,497,792
	\$ 8,553,851	\$ 2,102,622	\$ 6,451,229
2002			
Land	\$ 440,831	\$ —	\$ 440,831
Building	3,664,558	119,037	3,545,521
Equipment	3,961,286	1,504,358	2,456,928
	\$ 8,066,675	\$ 1,623,395	\$ 6,443,280

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

4. INCOME TAXES

- a) The Company's effective income tax rate differs from that obtained by applying the basic corporate tax rate to net earnings for the following reasons:

	2003	2002
Earnings before income taxes	\$ 1,928,642	\$ 2,199,896
Combined basic Canadian federal and provincial income tax rate	38.6%	41.6%
Income tax expense based on above rate	744,456	915,157
Increase (decrease) resulting from:		
Manufacturing and processing credits	(57,859)	(99,604)
Other	6,460	(19,254)
	\$ 693,057	\$ 796,299

Income tax expense is comprised of the following:

Current tax expense	\$ 539,000	\$ 526,543
Future tax expense	154,057	269,756
	\$ 693,057	\$ 796,299

- b) Significant components of the Company's future income tax assets and liabilities are as follows:

	2003	2002
Capital assets	\$ 572,000	\$ 489,393
Product development costs	187,000	108,550
Capital loss	(7,000)	—
	\$ 752,000	\$ 597,943

5. SHARE CAPITAL

- a) The authorized share capital of the Company is 100,000,000 common shares without par value.
- b) Details of issued and outstanding common shares are as follows:

	2003		2002	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	8,596,068	\$ 8,304,020	8,480,668	\$ 8,133,728
Exercise of options	43,200	66,530	115,400	170,292
Cancellation of shares	(370,400)	(359,288)	—	—
	8,268,868	8,011,262	8,596,068	8,304,020
Treasury shares, beginning of year	(166,500)	(97,564)	(166,500)	(97,564)
Repurchased	(259,500)	(817,684)	—	—
Cancelled	370,400	869,154	—	—
	(55,600)	(46,094)	(166,500)	(97,564)
Balance, end of year	8,213,268	\$ 7,965,168	8,429,568	\$ 8,206,456

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

5. SHARE CAPITAL - CONTINUED

Normal course issuer bid transactions

During 2002 and 2003 the Company maintained a normal course issuer bid ("NCIB"), allowing shares to be repurchased for cancellation. During the year ending June 30, 2003, 259,500 common shares were repurchased at an average price of \$3.15 per share for a total consideration of \$817,684. During the current year, 370,400 shares were cancelled and the excess cost (over book value) of \$509,866 was applied to retained earnings.

- c) **Stock options** – The Company has reserved 1,725,000 common shares pursuant to a Stock Option Plan ('the Plan'). Options to purchase common shares of the Company under the Plan may be granted by the Board of Directors to certain executive officers and directors, employees and consultants of the Company. Under the Plan, the exercise price of each option shall not be less than the weighted average closing price of the Company's shares for the five trading days preceding the date of the grant. The options can be granted for a maximum term of ten years.

A summary of options outstanding under the Company's Stock Option Plan as of June 30, 2003 and 2002, and changes during the years ended on those dates are presented below:

	2003		2002	
	Number of Options	Weighted Average Price	Number of Options	Weighted Average Price
Outstanding, beginning of year	1,036,700	\$ 2.25	994,100	\$ 2.09
Granted	17,000	3.10	165,000	3.06
Exercised	(43,200)	1.54	(115,400)	2.25
Cancelled / Expired	(110,100)	2.68	(7,000)	1.45
Outstanding, end of year	900,400	\$ 2.25	1,036,700	\$ 2.25

All outstanding options at the end of the year are currently exercisable.

The following table summarizes information about stock options outstanding at June 30, 2003

Number of Options	Exercise Price	Expiry Date
120,000	\$ 4.10	May 9, 2005
45,000	3.06	May 9, 2005
20,204	0.94	November 3, 2005
104,000	3.06	November 15, 2006
185,396	1.43	February 22, 2006
2,000	3.10	December 31, 2007
19,000	1.30	October 21, 2008
110,000	1.38	November 30, 2008
40,000	1.45	December 2, 2008
186,800	1.85	February 7, 2009
68,000	3.06	December 16, 2009
900,400		

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

6. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2003	2002
Net changes in non-cash working capital balances		
Accounts receivable	\$ (209,186)	\$ (304,388)
Inventories	(458,756)	113,059
Prepaid expenses and deposits	(63,832)	41,367
Accounts payable and accrued liabilities	(429,653)	472,496
Net changes in non-cash working capital balances relating to operations	\$ (1,161,427)	\$ 322,534

A summary of the amount of interest paid and income taxes paid for 2003 and 2002 is presented in the following table:

	2003	2002
Income taxes paid	\$ 563,643	\$ 683,570
Interest paid	—	10,447

7. CONTINGENCIES

The Company is co-defendant in a legal case before the US District Court of the District of Colorado in relation to patent infringement. The Company intends to vigorously defend its position in these matters. Legal counsel has indicated it is unlikely that the plaintiff will be successful in the claim. Therefore there is no provision in the financial statements for this claim.

8. FINANCIAL INSTRUMENTS

a) Fair value

The estimated fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying value in the financial statements. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

b) Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to the timing and amount of collectibility of accounts receivable. The Company mitigates credit risk through standard credit and reference checks.

c) Currency risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. In order to reduce the risk of Canadian and US dollar currency exchange fluctuations, the Company has at June 30, 2003 entered into forward contracts to sell US\$1,000,000 at an average rate of 1.3846 ending November 5, 2003.

CORPORATE INFORMATION

Board of Directors and Corporate Officers

J. Cowan McKinney	Chairman
Bradley D. Smithson	Director, Chief Executive Officer and President
Stuart D. Ross	Director, Secretary and Chief Financial Officer
Mackenzie (Mac) Norris	Director
Stuart O. McLaughlin	Director

Corporate Office

1155 Insight Drive
Nelson, B.C., Canada
V1L 5P5
www.pacificinsight.com

Auditors

Davidson & Company
Vancouver, B.C., Canada

Counsel, Registered and Records Office

McCullough O'Connor Irwin
Vancouver, B.C., Canada

Investment Information

Shares Listed:	Toronto Stock Exchange ("TSX") Trading Symbol – PIH
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Common Share Authorized:	100,000,000
Common Shares Outstanding (As at June 30, 2003):	8,213,268

Transfer Agent

Computershare Trust Company of Canada
Vancouver, B.C. and Toronto, Ontario, Canada

Corporate Relations

Corporate relations enquiries should be directed to 1 (800) 995-1155 or via Email to sross@pacificinsight.com.



PACIFIC INSIGHT ELECTRONICS CORP.



1155 Insight Drive
Nelson, British Columbia
Canada, V1L 5P5
1 800 995-1155
pacificinsight.com